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Internal audit and oversight

Report of the United Nations Office for Project Services on internal audit and oversight in 2007*

Summary

The Head of the Internal Audit Office is pleased to provide to the Executive Board, through the Executive Director of the United Nations Office for Project Services (UNOPS), an activity report on internal audit and related services in UNOPS for the year ended 31 December 2007. Until 30 June 2007, the UNDP Office of Audit and Performance Review provided internal audit and related services to UNOPS pursuant to the memorandum of understanding between the two parties effective 1 January 1997. The UNDP Project Services Audit Section, under the overall guidance of the Director of the Office of Audit and Performance Review, was primarily responsible for carrying-out the audit and advisory services to UNOPS. Based on mutual agreement, the Office of Audit and Performance Review ended its services to UNOPS with effect from 1 July 2007 and took the necessary steps to hand over the function to the newly established Internal Audit Office within UNOPS. As part of the transition arrangement, the former chief of the Project Services Audit Section was assigned as officer-in-charge of the Internal Audit Office from 1 July until 10 September 2007. As of that date, the Internal Audit Office has functioned as the UNOPS Internal Audit Office.

Elements of a decision

The Executive Board may wish to: (a) take note of the annual report of the Internal Audit Office for 2007; and (b) express continuing support for the internal audit function of UNOPS.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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I. Introduction

1. The Head of the Internal Audit Office is pleased to provide the Executive Board, through the Executive Director, with the activity report on UNOPS internal audit and related services for the year ended 31 December 2007.

2. Until 30 June 2007, the UNDP Office of Audit and Performance Review provided internal audit and related services to UNOPS pursuant to the memorandum of understanding between the two parties effective 1 January 1997. The UNDP Project Services Audit Section, under the overall guidance of the Director of the Office of Audit and Performance Review, was responsible for carrying out the audit and advisory services to UNOPS.

3. Based on mutual agreement, the Office of Audit and Performance Review ended its services to UNOPS with effect from 1 July 2007 and took the necessary steps to hand-over the function to the newly established in-house Internal Audit Office. As part of the transition arrangement, the former chief of the Project Services Audit Section was temporarily assigned as the officer-in-charge of the Internal Audit Office from 1 July until 10 September 2007. From September until 31 December 2007 the Internal Audit Office was functioning under the supervision of a contracted Head, a.i.

4. This report therefore includes the work of the Project Services Audit Section of the Office of Audit and Performance Review during the first six months of 2007. It also includes a summary status of [UNOPS] internal audit activities for the period 1 July to 31 December 2007, prepared by the then officers-in-charge.

II. Role and functions of internal audit in UNOPS

Mandate, functions and standards

5. The mandate of UNOPS internal audit is described in the UNOPS financial regulations and related UNDP financial rules, applicable mutatis mutandis to UNOPS, which became effective on 1 January 1995. UNDP financial rule 114.38 (corresponding to financial rule 103.02 in the latest version of the UNDP rules) defines the role of the UNDP internal audit office, which applies to the overall internal control mechanism of UNOPS. In performing its internal audit function, the Internal Audit Office adheres to the standards of the Institute of Internal Auditors, which were adopted by the representatives of the Internal Audit Services of the United Nations system of organizations. The mandate, function and standards of the newly established Internal Audit Office for UNOPS is contained in the charter of the Internal Audit Office, issued as organizational directive 25 (see annex 3 of the present report, available on the Executive Board web page).

Reporting

6. Under the present UNOPS organizational structure, the Internal Audit Office reports directly to the Executive Director. The audit reports submitted to senior management contain observations in areas requiring improvement and recommendations to provide reasonable assurance regarding the achievement of business objectives and compliance with internal control requirements. They serve as a tool for the general oversight exercised by the Executive Director and for the management of the audited units. In addition to the individual internal audit reports, an annual report containing significant audit findings and recommendations is submitted to the Executive Director for presentation to the Executive Board.

Coordination with the Board of Auditors and other United Nations oversight bodies

7. The Office of Audit and Performance Review coordinated its internal audit work with the United Nations Board of Auditors, which carries out the external audit of UNOPS. The annual planning meetings of the Office of Audit and Performance Review included consultation sessions with the Board, particularly with regard to risks, priorities, audit coverage and follow-up to recommendations. The Office of Audit and Performance Review also made the results of its internal audit work available to the United Nations Board of Auditors. This approach, and collaboration with the Executive Board, is to continue under UNOPS.

8. In providing internal audit services to UNOPS, the Office of Audit and Performance Review coordinated its work with the Office of Internal Oversight Services (OIOS) and with internal audit services in other United Nations organizations. We note that the mandate given to OIOS by the General Assembly includes unrestricted internal audit and investigation jurisdiction. This approach, and collaboration with OIOS and internal audit services in other United Nations organizations, is to continue under UNOPS.

III. Highlights of activities, 1 January to 30 June 2007

9. The accomplishments of the Office of Audit and Performance Review during the first half of 2007 include the following:

(a) *Internal audit and advisory services*. The Office of Audit and Performance Review covered a number of operational and project activities in line with the 2007 audit work plan. Those activities, and the related results, are elaborated upon below.

(b) *Audit work plan for 2007.* In early 2007, the annual work plan was refined, finalized, and approved by the Executive Director. The work plan takes into account the end internal audit services of the Office of Audit and Performance Review on 30 June 2007.

(c) *Annual report to the Executive Board on 2006 activities.* The Office of Audit and Performance Review prepared the annual report on internal audit activities for 2006, which was reviewed by the Executive Director and presented to the Executive Board at its annual session 2007.

(d) *UNOPS internal audit transition arrangements.* The chief of the Project Services Audit Section participated in the technical interviews of shortlisted candidates for the vacant internal auditor posts under the Internal Audit Office. Project Services Audit Section staff organized their internal audit records on UNOPS operations, which have been archived for easy retrieval when required by the Internal Audit Office.

10. The Project Services Audit Section carried out the provision of internal audit services under the guidance of the Director, Office of Audit and Performance Review. From January to June 2007, Project Services Audit Section staffing consisted of one chief, two internal auditors and one audit assistant.

IV. Approved annual internal audit work plan for 2007

11. The 2007 work plan was based primarily upon the overall objective of assisting the Executive Director in having assurance that internal controls and procedures function as envisaged. The work plan contained detailed discussion on the planning

approach, objectives, risk assessment, areas to be covered, nature of audit services, operating budget, and transition arrangements. It was drawn up considering the recent developments and issues effecting UNOPS internal systems and business. For details, refer to the annual internal audit work plan, which was presented by the former Director, Office of Audit and Performance Review, and approved by the UNOPS Executive Director in March 2007.

V. Comparison of activities to work plan as at 30 June 2007

12. As at 30 June 2007, there were 62 planned and ad hoc internal audit assignments, 36 of which had been initiated. The summary status of those 36 audits is shown in table 1, below.

Table 1. Summary of audits, 30 June 2007

Status	Number of audits
Final report issued	10
Draft report released for UNOPS management comments	3
Work still in progress, or services ongoing	23
Total assignments initiated	**36**

13. A comparison of activities against the work plan from January to June 2007 is provided in table 2, below.

Table 2. Comparison of activities against the work plan, January-June 2007

Audit assignment	Status and results as at 30 June 2007
Completion of final reports relating to audits conducted in the last quarter of 2006: 7 assignments	6 final reports issued: GMOSS, MSAs in Afghanistan, Argentina, Ethiopia and the Nile Basin. 1 report not finalized: Project KEN/98/031.
Approved work plan, part I (UNOPS core organizational units and activities): 9 planned audits and management reviews	1 audit with final report issued: UNOPS Africa Office. 3 assignments in the period: Advisory services, audit planning and risk assessment reporting, and support to investigations. 5 planned audits not been started. Need to adapt the work plan to staffing, workload of the number of requests for audit.
Approved work plan, part II (Audit costs charged against UNOPS projects): 13 planned audits of MSAs Activities financed by the World Bank, as required in the agreement.	10 audits carried-out: 9 NBI projects and consolidated report. Final reports to be submitted to IAO in July 2007. 2 audits in initial planning stage: MSAs in Ethiopia and Chad. 1 assignment still to be determined, in terms of the donor requirement and timeline: MSA in Afghanistan

GMOSS = Global Monitoring for Security and Stability; MSA = Management Services Agreement; NBI = Nile Basin Initiative; IAO = Internal Audit Office

Audit assignment	Status and results as at 30 June 2007
Approved work plan, part II (Audit costs charged against UNOPS projects): **10** planned audits of GEF, SGP programme countries	**3** audits carried-out with draft reports issued to obtain additional management comments. Bolivia, Chile, India. **2** audits in initial planning stage: Botswana and Zimbabwe. **5** audits are to be determined in terms of timeline and approach.
Approved work plan, part II (audit costs charged against UNOPS projects): **5** requests from AFO **5** requests from APO	**2** audits carried-out with final reports issued: IFAD-funded projects in Somalia. **2** audits are being carried out with field work in progress: Indonesia and Maldives. **1** audit in initial planning stage: Timor Leste. **5** audits are still to be determined in terms of timeline and approach.
Ad hoc requests: **2** from EUO **1** from MEO **10** from NAO	**1** audit carried-out with final report issued: GMOSS activity for the year 2006. 2 audits in planning stage: Republic of South Korea and Sudan **10** audits in the preparation stage, with a risk assessment completed to identify the SGP programme countries.

GEF = Global Environment Facility; SGP = Small Grants Programme; AFO = Africa region; APO = Asia Pacific region IFAD = International Fund for Agricultural Development, EUO = Europe region; MEO = Middle East region; NAO = North American region

VI. Significant issues and results of audit

14. The Office of Audit and Performance Review released 10 final reports from January to June 2007; one relates to an audit of an organizational unit (AFO) and nine relate to the audit of projects.

15. In terms of the standard audit ratings for each assignment, the Office of Audit and Performance Review ratings are partially satisfactory for seven audits and unsatisfactory for two. One report pertains only to an audit of the financial reports on an activity under a project in which the resulting audit opinion is qualified.

16. In respect of eight audit reports, there are a total of 58 recommendations, of which 25 are considered high in importance. Of the high priority recommendations, the issues are in the areas of finance (48 per cent) and asset management (16 per cent). The main issues are:

(a) Expenditure incurred in the absence of funds and/or approved budgets (MSA projects in Afghanistan; MSA projects in the Nile Basin initiative; the Somalia project financed by IFAD; and selected projects reviewed during the audit of the Africa Regional Office);

(b) Lack of timeliness and accuracy in project financial reporting to funding entities (Afghanistan elections project and MSA projects in Afghanistan), as well as lack of adherence to UNOPS financial rules regarding the project financial reporting period;

(c) Lack of compliance with the asset management guidelines (Africa Regional Office, Afghanistan elections project, and MSA projects in Afghanistan).

17. An analysis of the causes of audit issues indicated that the most common are: the lack of compliance to legislation (45 per cent) and the lack of guidelines in respect of operational procedures (33 per cent).

VII. Internal audit risk-assessment model for UNOPS

18. In preparing the work plan for 2007, the Office of Audit and Performance Review refined its risk assessment model for UNOPS, which was initially formulated in 2005, to ensure consistency between internal audit priorities and the goals of UNOPS management. Having a model for risk assessment has become essential, given the diversity and range of UNOPS operations worldwide, the wide scope of internal audit coverage and the limited staff resources.

19. For details, please refer to the risk assessment model which was used in developing the annual audit work plan for 2008 (see annex 4 of the present report, available on the Executive Board web page).

VIII. Advisory services

20. Advisory services cover a wide range of issues relating to internal control concerns, proposed policies, organizational directives, business processes, proposed agreements, delegations of authority and specific issues that management may request. During the whole of 2007, the Office of Audit and Performance Review and the UNOPS Internal Audit Office continued to render a number of such services, which included providing comments on policies and procedures. They included the following:

(a) Policy in sharing of audit reports to Governments and other third parties;

(b) Procurement matters, including those on policies and guidelines relating to the Headquarters contracts and procurement committee;

(c) Completion of questionnaires on audit issues asked by the European Commission;

(d) Property management; and

(e) Delegation of authority.

21. The Office of Audit and Performance Review and the UNOPS Internal Audit Office continued to assist in reviewing proposed project agreements containing audit clauses to ensure that such clauses are in accordance with the financial regulations and rules and to recommend actions in addressing such audit requirements.

22. It is important to underline that the Office of Audit and Performance Review and the UNOPS Internal Audit Office are acting in advisory capacities in this area and do not participate in the implementation of any procedure.

IX. Single audit principle

23. There is an increasing trend by donors and stakeholders to include an audit requirement in projects or service agreements with UNOPS, be it a mandatory or request-based obligation. This trend follows the escalating frequency in which the United Nations organizations, in general, are being requested by funding entities to submit audited financial reports on specific activities or even have access to the financial records of the organization.

24. Considering the discussions held in the Advisory Committee on Administrative and Budgetary Questions and in the General Assembly, it is important to note that the United Nations system upholds what is referred to as the 'single audit principle', that is:

(a) The External Auditor designated by the legislative body of each United Nations organization retains the exclusive right to carry out the respective external audit functions; and

(b) If special reviews are required, the External Auditors should be requested to carry them out and to issue separate reports.

25. Consistent with the above, in principle, when a funding entity requires a special audit of its contributions, UNOPS must convey this request to the United Nations Board of Auditors.

26. UNOPS should therefore refrain to accept such audit clauses in the project documents or service agreement of which it will be the executing party.

27. As a substitute approach for projects financed by the World Bank under a management services agreement modality, the United Nations Board of Auditors has informally agreed that the audit requirement in the agreement can be addressed through internal audit. Under that approach, the Internal Audit Office may engage audit firms and/or consultants to assist in its internal audit work. The United Nations Board of Auditors, in expressing its view on that arrangement, has referred to the results of the discussion of the technical group under the United Nations Panel of External Auditors in late 2005, which is quoted below:

"The Technical Group noted that the single audit principle, as it relates to Internal Audit, would not be breached if, when contracting-in expertise on an inter-agency basis:

- the Internal Audit Services of each organization are involved in the formulation of, and explicitly agree to the terms of reference and scope of the review, as well as in the recruitment of the required expertise;
- the work is supervised by the Internal Audit Services and there is an individual reporting relationship to them; and
- work papers and reports are the property of the respective Internal Audit Services, solely responsible for the distribution of the reports."

28. However, to our knowledge there is no explicit written policy by the United Nations Board of Auditors on this matter.

X. Investigations

29. The memorandum of understanding between UNOPS and the Office of Audit and Performance Review did not specifically include the provision of investigation services. Nonetheless, based on ad hoc requests from UNOPS management and complaints that the Office of Audit and Performance Review had directly received, its Investigations Section has carried out work in addressing such cases. From January to June 2007, the Investigation Section took appropriate action on two complaints and/or allegations relating to UNOPS personnel.

30. The Office of Audit and Performance Review also provided support and coordinated its work with OIOS with regard to certain investigation cases that have been or are being conducted by OIOS.

XI. Highlights of Activities: 1 July to 31 December 2007

Briefing and hand-over work on internal audit activities

31. As part of the hand-over activities, the officer-in-charge of the Office of Audit and Performance Review has been orienting and gave briefings in New York, over the course of a week, to the newly appointed UNOPS senior internal auditor, who joined on 28 August 2007.

Internal audit staffing and environment

32. As stated in the 'Internal Audit Work Plan and Budget for UNOPS Operations for the Year 2007' signed by the Director of the Office of Audit and Performance Review and the UNOPS Executive Director on 13 March 2007, the Internal Audit Office was to have been fully staffed with one head, four internal auditors and one administrative assistant as at 30 June 2007. Instead, an officer-in-charge was appointed from 1 July to 10 September 2007 and a head, a.i., was contracted from 24 September to 31 December 2007, since the post of head, Internal Audit Office, was not filled. As at 31 December 2007, the posts of one senior internal auditor and two internal auditors were filled. The last post of internal auditor was filled by 1 January 2008. Three of the recruited internal auditors have United Nations experience (United Nations, World Bank and UNESCO).

33. The amount of work days available to the Internal Audit Office for the second half of 2007 was initially projected to have been 105 for the head, 540 for internal auditors and 105 for administrative assistance. Instead, the actual amount was 103 work days for the head, 113 for internal auditors and none for administrative services meaning that in total the Internal Audit Office operated at 30 per cent of its intended person day capacity for this period. As such, the Internal Audit Office could not fully meet all the work initial objectives for the latter period of 2007.

34. A practical working environment of the Internal Audit Office was secured premises in early 2008.

35. The UNOPS Strategy and Audit Advisory Committee terms of reference have been approved in 2008. The Committee become operational in 2008 and has begun to provide advice to the head, Internal Audit Office on the Internal Audit Office charter and the 2008 annual work plan.

The work priorities of the officer-in-charge

36. During the period, the officer-in-charge had the following priorities:

(a) Managing on-going assignments and addressing requests for audit and advisory services;

(b) Assisting in recruiting staff for the Internal Audit Office;

(c) Finalizing the hand-over activities and related matters;

(d) Leading the orientation and briefing of the new Internal Audit Office staff member; and

(e) Continuing the collaboration work with the external auditors and other oversight bodies in the United Nations system.

Status of Internal Audit Activities as at 31 December 2007

37. The cumulated summary status of the audits initiated as at 31 December 2007 is shown in table 3, below.

Table 3. Status of audits initiated as at 31 December 2007

Status	Number of audits	
	As at 30 June 2007	As at 31 December 2007
Final report issued	10	24
Draft report released for UNOPS management comments	3	0
Work still in progress or services are on-going	23	16
Total assignments initiated	**36**	**40**

38. In addition to the above planned and ad hoc requests, the Internal Audit Office responded to several requests for audit and advisory services. Most of the requests follow the increasing trend whereby funding entities are including an audit requirement in project agreements with UNOPS.

Main internal audit achievements during the period

Internal control framework

39. The Internal Audit Office has assisted UNOPS management in the initial formulation and distribution of an internal control framework. The Internal Audit Office needs to further promote and support senior management in developing a comprehensive internal control framework to provide better guidance to staff in discharging their functions. Also, in line with best practices and the guidance of the Executive Board, the Internal Audit Office strongly encourages senior management to formulate an organization-wide approach to risk management.

Unresolved UNOPS/UNDP interfund differences, ante 2006

40. In its report on the UNOPS financial statements for the biennium ending 31 December 2005, the United Nations Board of Auditors qualified its opinion based upon certain observations, in particular concerning the settlement of unresolved interfund differences with UNOPS. The Internal Audit Office has assisted in preparing a settlement proposal which the Executive Director communicated to UNDP for discussion and approval. No resolution with UNDP has been reached to date, but negotiations are continuing between the management of the organizations.

Internal audit charter

41. An internal audit charter containing the mandate, authority, responsibilities and general scope of work of the Internal Audit Office was submitted to the Executive Director for review and issuance. It has since been approved and issued as organizational directive 25 in 2008, and is available on the Executive Board web site as annex 3 to the present report.

Training

42. The Head, a.i., Internal Audit Office, has provided orientation training to the incoming audit staff, and in-house specific training in an Atlas environment has been initiated. The new internal audit team has to adapt quickly to the UNOPS environment and have a sound understanding of the nature of the UNOPS activities. Post descriptions for internal auditors and the head of the Internal Audit Office were prepared for approval by the Executive Director. Detailed hand-over notes were prepared for the incoming Head of the Internal Audit Office to ensure a smooth transition. In addition, as the Internal Audit Office has collective command of three United Nations working languages – Arabic, English and French – some internal auditors were strongly encouraged to acquire proficiency in the fourth working language, Spanish.

Internal audit work plan for 2008

43. An internal audit risk-based work plan for 2008 was prepared for approval by the Executive Director. The approved version is available on the Executive Board web site as annex 4 to the present report, inclusive of its related annexes. In this regard, the Office of Audit and Performance Review risk assessment model for UNOPS was followed. It is envisaged that in future audit planning, the Internal Audit Office will seek deeper involvement of UNOPS management in the process, to enhance their knowledge of the organization. Moreover, the risk assessment procedures covering projects and programmes will be further refined to secure adequate audit coverage and an acceptable audit cycle.

44. The work plan was established taking into consideration the new UNOPS headquarters organization chart as circulated in September 2007 by management, effective 1 January 2008.

Follow-up to audit recommendations

45. To assist management in following up with the implementation of audit recommendations, the UNDP Office of Audit and Performance Review has used its customized application, the 'Comprehensive Audit and Recommendations Database System'. The Internal Audit Office is in the process of joining that system, in consultation with UNDP, to institute its procedures in following up on audit recommendations. Furthermore, the follow-up system will permit the monitoring of binding recommendations made by the Executive Board, the United Nations Board of Auditors, the Joint Inspection Unit and OIOS.

Internal audit manual

46. As a newly established audit mechanism, the Internal Audit Office needs to institute standard operating procedures and work methods. Many of these have been inherited from the UNDP Office of Audit and Performance Review, but they must be tailored to the specific needs of UNOPS. To that end, the Internal Audit Office has constructed an internal audit toolkit, including audit templates, for use in 2008 and beyond.

Advisory services

47. In the conduct of internal audits, extensive knowledge and lessons learned from the experience of the offices visited are gathered and accumulated. This knowledge and information is shared through the provision of advisory services. The Internal Audit Office is frequently consulted, formally or informally, on a number of the issues identified above.

Audit clause

48. With the increasing trend in the requirement by funding entities to include an audit requirement in project agreements with UNOPS, there is a significant increase in the internal audit workload, particularly in the following areas: (a) proactively advising operational units; (b) coordinating the outsourcing of audit services; (c) supervising and monitoring the work of audit firms and consultants; and (d) ensuring quality in the audit reports. A study of the adequacy of the audit clause in the various agreements with fund-providers was performed by an external consultant. The results of that exercise indicate that the inclusion of the audit clause needs to be reassessed in applying the single audit principle.

Communication within the United Nations oversight functions

49. The Internal Audit Office has established channels of communication with other oversight groups in the United Nations, particularly with the United Nations Office of Internal Oversight Services and the Board of Auditors, to obtain and gather the latest

trends and developments in the United Nations oversight community. The Head, Internal Audit Office will also participate actively in the annual meeting of representatives of the Internal Audit Services of the United Nations system of organizations.

Investigations

50. In its anti-fraud policy statement, UNOPS indicated that complaints and allegations can be referred to the Office of Audit and Performance Review, to OIOS or to the Internal Audit Office for investigation. The Internal Audit Office has assisted in redrafting Directive OD/10 and had submitted the draft *UNOPS Policy to Address Fraud* to the General Counsel for comments and issuance by the Executive Director.

51. The Internal Audit Office has also prepared a draft *Succinct Manual for UNOPS Investigations*, which it has sent to the General Counsel for review. During the period envisaged, the Internal Audit Office has initiated three investigations, as requested by the General Counsel.

Administering the projects/agreements audit requirements

52. The Internal Audit Office is responsible for and was involved in administering the completion of the mandatory audit requirements for the organization reflected in the consolidated activity report for 2007.

Other tasks

53. The majority of the tasks undertaken by the Internal Audit Office during the last quarter of 2007 were brought to a point of near completion. However, it was decided that before they are finalized and/or issued, the incoming and permanent head of the Internal Audit Office would be given the opportunity to provide input and approve the final issuance. This will include:

(a) The internal audit charter;

(b) The 2008 work plan;

(c) The 2007 activity report;

(d) The internal audit manual; and

(e) The post descriptions for Head, Internal Audit Office, and for internal auditors.

XII. Summary of follow-up to 2005, 2006 and 2007 audit recommendations

54. Similar to the follow-up to audit recommendations conducted by the UNDP Office of Audit and Performance Review in early 2007, the newly established Internal Audit Office conducted a follow up with management on the audit recommendations issued in 2005, 2006 and 2007. This is in line with the decision 2006/13, which requests the Executive Director of UNOPS to include in its annual audit and oversight reports, (a) a summary containing key and recurrent findings; (b) a table indentifying the unresolved audit findings by year and prioritization category; and (c) an explanation of findings that have remained unresolved for 18 months or more.

Key and/or recurrent issues and those unresolved for 18 months or more after audit recommendations

55. Annex 1, available on the Executive Board website, lists all the recurrent and/or high priority audit recommendations issued in 2007, and annex 2 lists audit recommendations unresolved for more than 18 months.

Analysis of audit recommendations issued in 2007

56. Pursuant to decision 2005/19, and following the earlier work of the Office of Audit and Performance Review, the Internal Audit Office analysed each of the recommendations for 2007.

57. In 2007, 24 audit reports were issued. Of those, 11 were financial audit reports expressing an opinion on the fairness of expenditure charged to projects, and thus no recommendations were issued. In the remaining 13 audit reports, 145 recommendations were issued. However, one audit report[1] contained 30 recommendations, which were not categorized. Therefore only 115 audit recommendations can be analysed. Furthermore, three audit reports, containing 36 audit recommendations, did not include an analysis of frequency of occurrence by area. Therefore, the analysis of audit recommendations for 2007, below, consisted of 115 recommendations analysed by importance and cause, while 109 recommendations could be analysed by frequency of occurrence by area.

Prioritization of audit recommendations by importance

58. Of the 115 audit recommendations issued in 2007, 32 (28 per cent) are considered of high importance; 60 (52 per cent) of medium importance; and 23 (20 per cent) of low importance. The categorization used is based on the definitions of level of importance used by the Office of Audit and Performance Review. Those definitions are set forth below.

Table 4. Prioritization of audit recommendations by importance (2007)

By importance	Number of recommendations	Percentage
High	32	28
Medium	60	52
Low	23	20
Total	**115**	**100**

Definitions[2]:

High: Action considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization)

Medium: Action considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences)

Low: Action that is considered desirable and should result in enhanced control or better value for money.

Causes of audit issues

59. Failure to comply with prescribed UNOPS regulations or lack of compliance with standard rules and procedures is the main cause (43 per cent) of the audit issues addressed in the 2007 audit report. The other main causes are inadequate or lack of supervision by supervisor (31 per cent); absence of written procedures to guide staff in performing their functions (17 per cent); human error (4 per cent); and insufficient resources (3 per cent). The 2008 audit plan will focus on each of these significant areas.

[1] Audit report 2007/232 contains 30 audit recommendations

[2] DP/2007/38 page 10

Table 5. Audit recommendations by cause of audit issue (2007)

By causes	Number of recommendations	Percentage
Compliance	50	43
Guidelines	20	17
Guidance	36	31
Human Error	5	4
Resources	4	3
Total	**115**	**100**

Definitions[3]:

Compliance: Failure to comply with prescribed UNOPS regulations, rules and procedures.
Guidelines: Absence of written procedures to guide staff in performing their functions.
Guidance: Inadequate or lack of supervision by supervisors.
Human error: Mistakes committed by staff entrusted to perform assigned functions.
Resources: Insufficient resources (funds, skill, staff) to carry out an activity or function.

Frequency of occurrence of audit recommendations by area

60. Further analysis of audit recommendations by frequency of occurrence by area was undertaken, as required by the Executive Board decision mentioned above.

61. As shown in table 6, below, 55 of 109 audit recommendations (50 per cent of the total) related to the finance area; 27 (25 per cent) to project/programme activities; and 14 (13 per cent) to general administration. The other 14 (13 per cent) related to areas such as human resources, procurement, general policy and organization.

Table 6. Audit recommendations by area (2007)

Area	Number of recommendations	Percentage
Human resources	2	2
Procurement	3	3
Finance	55	50
General administration	14	13
Project/programme activities	27	25
Information technology	0	0
General policy	2	2
Organization	7	6
Total[4]	**110**	**100**

Implementation of audit recommendations

62. In line with the 'standard for the professional practice of internal auditing' that requires "*a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*[5] ", and in order to address the Executive Board decision, the Internal Audit Office

[3] DP/2007/38, paragraph 41
[4] One recommendation had two areas of categorization.
[5] IIA, Performance Standard 2500 – Monitoring Process

prioritized its activity in early 2008 to conduct a follow-up on audit recommendations. The lessons learned from that exercise are used in the 2008 audit programme to focus on issues raised in the previous audit recommendations, particularly the causes of those recommendations.

Implementation of audit recommendations made in 2007

63. The 2007 audit reports contained 145 recommendations for improving internal controls and organizational efficiency and effectiveness. The Internal Audit Office requested the organization, or the action units concerned, to provide their written responses to all of the recommendations, including actions taken, or contemplated, to implement them. In 2007, the Internal Audit Office requested that the unit concerned provide the latest status as at end of March 2007, together with supporting documentation to validate their comments. Desk reviews of the comments, and the supporting documents whenever available, were carried out. Based on the responses provided to the Internal Audit Office, the concerned organizational units indicated the status of implementation. Table 7, below, shows that the status of implementation as at 6 April 2008 was 67 per cent. The unimplemented recommendations, which represent 7 per cent of the total (10 recommendations), comprised of three 'high', six 'medium' and one 'low' importance of recommendation. The five unimplemented recommendations were due mainly to no action having yet been taken to implement them by the project management.

Table 7. Status of implementation of audit recommendations (2007)

Status	Number of recommendations	Percentage
Implemented	97	67
Implementation in progress	38	26
Not implemented	10	7
Total	**145**	**100**

Implementation of previous year audit recommendations

64. In its report on internal audit services to UNOPS in 2006 (DP/2007/38), the Office of Audit and Performance Review reported that 39 of its recommendations from the previous year were being acted upon, while 12 had not been implemented.

65. The follow-up review showed that as at 6 April 2008, the implementation rate for 2005 audit recommendations was 94 per cent and for 2006 audit recommendations it was 71 per cent.

Table 8. Status of implementation of audit recommendations (2006)

Status	Number of recommendations	Percentage
Implemented	53	71
Implementation in progress	22	29
Not implemented	0	0
Total	**75**	**100**

Table 9. Status of implementation of audit recommendations (2005)

Status	Number of recommendations	Percentage
Implemented	148	94
Implementation in progress	6	4
Not implemented	3	2
Total	**157**	**100**

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Internal audit and oversight

United Nations Office for Project Services accountability framework and oversight policy

Summary

In accordance with decision 2008/5, adopted by the Executive Board at its annual session in 2007, the Executive Director is pleased to submit the draft United Nations Office for Project Services (UNOPS) accountability framework and oversight policy for consideration by the Executive Board.

In accordance with the guidance provided by the Executive Board, the Executive Director wishes to stress the close linkages among the UNOPS accountability framework, the business strategy, the administrative policies and procedures relating to oversight and personal accountability, and measures taken to improve measurement of results and impact, monitoring and transparency in reporting.

Elements of a decision

The Executive Board may wish to endorse the UNOPS accountability framework and oversight policies set out in the present report.

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Introduction

1. The present accountability framework and oversight policy was drafted pursuant to Executive Board decision 2008/5. The framework seeks to strengthen UNOPS accountability, risk management and assurance processes. While establishing basic principles, the policy also defines specific terms and concepts (as requested in decision 2008/5), including accountability and transparency, as well as modalities of disclosure and confidentiality in the management of UNOPS operational activities. The accountability framework describes the roles and responsibilities of the various parties and the resulting synergies that would enhance UNOPS oversight mechanisms.

2. The UNOPS accountability framework has been developed taking into account General Assembly resolution 59/250 on the triennial comprehensive policy review of operational activities for development of the United Nations system; resolution 60/1 on the 2005 World Summit Outcome; resolution 61/245 on the comprehensive review of governance and oversight in the United Nations and UNOPS, programmes and specialized agencies; and other pertinent decisions and resolutions regarding the strengthening of accountability and ethics in the United Nations system.

I. Accountability developments in UNOPS

3. The compliance function has traditionally been associated with legislative and financial accountability. The scope of oversight has grown over time to address controls regarding aspects of risk, relevance, effectiveness, efficiency and impact of operations. Oversight comprises a set of activities in which internal and external bodies assure the Executive Director, the Executive Board and other concerned parties that reliable, cost-effective systems of internal controls are in place, ensuring that:

(a) UNOPS activities are in accordance with its legislative mandate and the policies adopted by the General Assembly, the Economic and Social Council and the Executive Board (organizational accountability);

(b) The funds provided to UNOPS are fully accounted for and used in compliance with project agreements (financial accountability);

(c) UNOPS activities are conducted in the most efficient and effective manner, and programme overlaps, duplications and inefficient use of resources are avoided (operational accountability); and

(d) Staff and other officials adhere to standards of professionalism and ethics (individual accountability).

4. During both the 2006-2007 biennium and the current biennium, UNOPS has made significant progress in the areas of accountability, assurance, risk management, internal controls and fraud prevention.

5. UNOPS has established an independent strategy and audit advisory committee to provide independent, senior-level advice to the Executive Director regarding strategic, business and, audit objectives of the organization. The Committee held its first meeting in January 2008 The terms of reference for the Strategy and Audit Advisory Committee are presented as annex 1 to the present report, on the Executive Board web page.

6. The introduction of a charter for the UNOPS Internal Audit Office has ensured greater accountability and better assurance at UNOPS. The charter of the Internal

Audit Office is presented as annex 2 to the present report, on the Executive Board web page. To strengthen risk management capacity, UNOPS has adopted a risk-based audit work plan targeting strategic, high-risk areas for audit; introduced computer-based audit techniques; and attained greater standardization and harmonization of work practices. The internal audit work plan for 2008 is presented as annex 3 to the present report, on the Executive Board web page.

7. UNOPS has developed anti-fraud initiatives and has adopted the whistleblower policy of the United Nations (a policy against retaliation for reporting wrongdoing). Specifically, UNOPS has implemented a fraud hotline, which allows direct access to the UNOPS Ethics Officer via a secure email address or a secure telephone number. The fraud hotline and code of ethics are presented as annex 4 to the present report, on the Executive Board web page. The Internal Audit Office has also adopted the International Standards for the Professional Practice of Internal Auditing, in accordance with the professional practices framework prescribed by the Institute of Internal Auditors.

8. UNOPS recently implemented a comprehensive 'balanced scorecard' programme. The balanced scorecard is a performance-based, strategic management tool that provides stakeholders with a comprehensive indication of how the organization is progressing towards its strategic goals. The balanced scorecard helps define the actions needed to achieve desired results and fulfil the overarching strategic objective and vision of the organization. Specifically, the balanced scorecard focuses on achieving ten major corporate strategic performance objectives that are all essential to achieving the accountability framework goals.

9. UNOPS has updated and strengthened its internal control framework (presented as annex 5 to the present report, on the Executive Board web page). The purpose of the internal control framework is to inform every UNOPS staff member of the internal controls instituted at all levels of authority to secure proper performance of his or her duties. Ancillary to the internal control framework is the new, comprehensive delegation of authority for finance officers policy, which clearly details the authorities granted to those UNOPS staff who are required to approve and be held responsible for financial transactions and decisions made within the UNOPS system. The finance delegation of authority for UNOPS is presented as annex 6 to the present report on the Executive Board web page

10. UNOPS has formalized and implemented its cost recovery and pricing policy. The organizational directive on the cost recovery and client pricing policy is presented as annex 7 to the present report on the Executive Board web page. The policy sets out strategic directives on full-cost recovery relevant to the role of UNOPS as a self-financing entity that requires a specific level of reserves to ensure its viability. The policy contains directives regarding pricing UNOPS services, and accounting for costs appropriately with clients and stakeholders. The policy also contains a sound business strategy for remaining competitive in the marketplace and industry occupied by UNOPS. Adherence to this policy is essential for UNOPS management to maintain accountability for costs and ensure that the organization continues to be financially healthy and well managed.

11. UNOPS has procured various business insurance policies as an integral part of its comprehensive risk management, presented as annex 7 to the present report, on the Executive Board web page. This important initiative helps protect UNOPS from catastrophic losses using types of coverage unique to the United Nations system and vital to UNOPS, given the complex nature of the UNOPS business environment. The policies have a retroactive effect (covering the preceding three years) and protect UNOPS against future risks. The key policies are professional liability insurance

(otherwise known as errors and omissions or professional malpractice insurance); directors' and officers' liability insurance; bankers blanket bond fidelity/crime insurance; and an umbrella commercial general liability policy. Collectively, these policies help mitigate the highest potential risks faced by UNOPS in terms of business interruption, crime or litigation from clients and contractors, and ensure prudent fiduciary responsibility and care on the part of UNOPS leadership.

12. UNOPS has completed its comprehensive information and communications technology strategy for 2008-2012, which covers all aspects of risk mitigation, cost-effective technology investments and information security, including email and other communication methods. The strategy, presented as annex 8 to the present report, on the Executive Board web page, encompasses cutting-edge technology needs along with business process objectives aligned with the UNOPS strategic plan and best practices.

13. UNOPS has introduced an individual contractor agreement, an essential tool for UNOPS business operations. In essence the agreement helps to streamline the hiring process, providing a mechanism to recruit necessary human resources faster, for a limited duration, and with specific scopes of work relevant to UNOPS needs at the programme level and at headquarters. The individual contractor agreement is more flexible than previous contract modalities, enabling UNOPS to act faster, increase competitiveness and shift some of the risks normally associated with hiring regular staff to the individual contractor. The organizational directive concerning the individual contractor agreement is presented as annex 9 to the present report, on the Executive Board web page.

14. Two cornerstones of accountability for UNOPS activities are its staff performance review system and its contract performance review system. UNOPS has in place a comprehensive performance and results assessment programme, and will introduce a contractor performance review policy in 2008. Together, these important performance review tools allow qualitative and quantitative evaluation of UNOPS staff output, ensuring that all UNOPS programmes and contracts meet high standards for clients and stakeholders.

15. The UNOPS accountability framework presented below has been prepared in light of the background, objectives, initiatives and goals outlined above.

II. UNOPS accountability framework

A. Definitions

16. For the purpose of the UNOPS accountability framework, the following definitions will apply:

(a) *Assurance process* means an objective examination of evidence for the purpose of providing an independent and objective assessment on risk management, control or governance processes for the organization. Reasonable assurance means an acceptable and satisfactory level of confidence under given considerations of costs, benefits and risks. The assurance process alone, even when performed with due professional care, does not guarantee that all significant risks will be identified.

(b) *Accountability* means the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans.

It thus refers to the process whereby UNOPS and its personnel are held responsible for their decisions and actions, including their stewardship of UNOPS; fairness in all aspects of performance, in accordance with agreed rules and standards; and fair and accurate reporting on performance results vis-à-vis mandated roles and/or plans.

(c) *Business unit* means any operation or office that is led by management. These units typically consist of UNOPS headquarters, UNOPS regional offices and UNOPS operations centres;

(d) *Confidential information* means:

(i) Documents intended for internal purposes only;

(ii) Privileged information, such as legal advice and correspondence with external legal advisers; it includes any information, the disclosure of which might prejudice an investigation or any legal or regulatory proceedings, or subject the UNOPS to an undue risk of litigation;

(iii) Information that, if disclosed, would, in the view of UNOPS, seriously undermine the policy dialogue with Member States or implementing partners;

(iv) Information that, if disclosed, could violate the law, or prove a threat to the national security of a Member State or to the personal security or privacy of an individual;

(v) Information in the possession of UNOPS that was not created by UNOPS and that has been identified by its originator as being sensitive and confidential, or that the originator has formally requested be released restrictively;

(vi) Information related to procurement processes, including pre-qualification information submitted by prospective bidders, tenders, proposals or price quotations (other than the total contract price), or records of deliberative processes, financial, business or proprietary information of private entities received by UNOPS, unless permission is given by those private entities to release that information;

(e) *Control activities* mean those policies and procedures that are established and implemented to ensure that necessary internal controls are carried out effectively;

(f) *Independence* means the necessary conditions of integrity and freedom from interference in determining the scope, performing the functions and communicating the findings of internal audit, evaluation and investigation activities; any independent individual involved in such activities should have an impartial, unbiased attitude and avoid conflict of interest;

(g) *Internal control* means any action taken by UNOPS management, the Executive Board and other relevant parties to enhance risk management and increase the likelihood that established objectives and goals are achieved;

(h) *Management* means the individuals who control, lead and direct UNOPS or who are delegated the authority to do so;

(i) *Oversight* means the general process that refers to the review, monitoring, evaluation and supervision of UNOPS programmes, activities and policy implementation to ensure organizational, financial, operational and ethical accountability;

(j) *Transparency* means the flow of timely and reliable financial, strategic, and programmatic information about the use of UNOPS resources and about the activities of UNOPS.

B. Purpose and scope

17. The purpose of the accountability framework is to ensure good governance, consider relevant best practices, create the necessary environment of accountability and transparency in UNOPS, and ensure that UNOPS business operations are carried out effectively through continuous improvement.

18. The scope of the accountability framework is shaped by the following principles of good governance:

(a) The activities of the organization are fully in accordance with its legislative framework;

(b) Funds provided to the organization are fully accounted for and are in compliance with project and programme agreements;

(c) The activities of the organization are conducted in the most efficient and effective manner, and duplication and inefficient use of resources are avoided;

(d) The staff and all other officials of the organization adhere to the highest standards of professionalism, integrity and ethics;

(e) Investments in oversight mechanisms are based on analysis of the cost of accepting the underlying risks versus the benefit of mitigating those risks.

C. Principles of the UNOPS Accountability Framework

Application of principles

19. UNOPS execution of oversight functions includes three essential elements, which together comprise a comprehensive system that provides reasonable assurance that UNOPS activities are efficient and effective. They are:

(a) An accountability framework (containing all of the policy documents contained or referred to in the present document) that holds management and staff responsible for the efficiency and effectiveness of UNOPS programmes;

(b) A comprehensive, rigorous and transparent assurance system, with specific reference to the activities noted in the UNOPS internal audit charter and annual work plan, and to the charter and the activities of UNOPS external auditors in the form of the United Nations Board of Auditors charter; and

(c) UNOPS business oversight processes, such as inspections, periodic on-site reviews, programmatic monitoring, surveys and audits that review and evaluate programmes, management systems, and the validity of the on-site assurance system; these oversight processes are performed via management visits, special reviews or audits by the Internal Audit Unit, as may be prescribed by the Executive Director or a senior manager.

Legal framework

20. All oversight activities must comply strictly with applicable regulations and rules. The responsibility of oversight is granted on an individual basis and requires delegated authorities to adhere to the relevant portions of the controlling legal instruments. In the case of any inconsistency or ambiguity between them, the instruments must be applied in the following order of priority:

(a) Article 100 of the Charter of the United Nations;

(b) Staff Regulations and Rules of the United Nations and UNOPS;

(c) Financial Regulations and Rules of the United Nations and UNOPS; currently regulations applied "mutatis mutandis" from UNDP regulations of 1998;

(d) UNOPS accountability framework.

Delegation of authority

21. As set forth in the UNOPS financial regulations and rules (UNDP regulations of 1998, mutatis mutandis), presented as annex 10 to the present report, on the Executive Board web page, the Executive Director is accountable to the Secretary-General through the Management Coordination Committee and the Executive Board for all phases and aspects of UNOPS financial activities. The UNOPS financial regulations and rules provide that the Executive Director may further delegate authority to UNOPS personnel. UNOPS is examining the existing regulations closely and will update them as necessary.

D. Roles and responsibilities

22. The oversight roles and responsibilities encompass those related to assurance and accountability. Effective oversight results from coordinating the respective roles and responsibilities of: management; the Internal Audit Office; the Strategy and Audit Advisory Committee; the Ethics Officer; the Executive Board and the Management Coordination Committee; the United Nations Board of Auditors; the United Nations Joint Inspection Unit; the Advisory Committee on Administrative and Budgetary Questions; and the Fifth Committee. Furthermore, the following UNOPS internal committees provide assurance and accountability in specific areas: the Appointment and Selections Panel (organizational directive presented as annex 11 to the present report, on the Executive Board web page); the Appointment and Selections Board (organizational directive presented as annex 12 to the present report, on the Executive Board web page); and the headquarters Contracts and Procurement Committee (terms of reference presented as annex 13 to the present report, on the Executive Board web page.

23. A process of assurance examines and evaluates the adequacy and effectiveness of the bodies responsible for oversight. That process includes the following activities:

(a) Internal audits, investigations and independent evaluations examine and measure the adequacy and effectiveness of UNOPS processes, structure and controls, providing reasonable assurance that these are functioning as intended;

(b) The Strategy and Audit Advisory Committee assists the Executive Director in fulfilling his oversight responsibilities in accordance with relevant best practices and industry standards;

(c) The United Nations Board of Auditors undertakes independent audits of UNOPS and assists the Executive Director and Director of Finance in working towards certification of UNOPS financial statements.

Management

24. Management is responsible for putting in place the system of governance and risk management; the internal control framework; the measurement of performance; and the evaluation of results and impact. It is also responsible for communicating results in a reliable, timely, accurate, open and transparent manner.

25. Management is also responsible for the implementation of the UNOPS internal control framework and other applicable policies related to oversight activities. Management is accountable for exercising its oversight role in the particular areas of

its responsibility. As part of its evaluation responsibilities, UNOPS management plans, organizes and directs the performance of actions to provide reliable information on the achievement of goals, outcomes, outputs and results and their impact on intended beneficiaries.

Internal Audit Office

26. The oversight roles and responsibilities of the Internal Audit Office, including the use of relevant professional standards, are set forth in the Internal Audit Office charter approved by the UNOPS Executive Director. In addition to internal auditing, the oversight services provided by the Internal Audit Office include fraud prevention and detection, investigation, thematic audits and reviews, and advisory services. The Internal Audit Office frequently reports to the Executive Director on its internal audit activities and reports annually to the Executive Board.

27. Internal auditing includes examination and evaluation of the adequacy and effectiveness of UNOPS governance processes, risk management processes, internal controls structure and performance in carrying out assigned responsibilities. These activities are carried out in order to provide reasonable assurance to the Executive Director, the Strategy and Audit Advisory Committee and the Executive Board that the processes are functioning as intended to enable UNOPS to achieve its stated goals and objectives.

28. The scope of fraud prevention and detection includes examination and evaluation of the effectiveness of UNOPS internal controls to prevent and detect fraud. The Internal Audit Office conducts investigations into reports of violations of applicable regulations, rules and administrative or policy directives (unless otherwise directed by the Executive Director and the Strategic Audit Advisory Committee, in cases of conflict of interest).

Strategy and Audit Advisory Committee

29. The Strategy and Audit Advisory Committee was established to provide the Executive Director with external, senior-level advice regarding the strategic, business and audit objectives of the organization. The Committee has an advisory role and is not a governance body; see terms of reference in annex 1, on the Executive Board web page.

Ethics Officer

30. The Ethics Officer is appointed by and reports to the Executive Director of UNOPS. The Executive Director will notify the Executive Board of important issues raised by the Ethics Officer as they may arise. Activities are undertaken in support of the United Nations code of ethics and towards coordination of ethics standards and policies.

31. The UNOPS Ethics Officer recognizes the authority of the Chief Ethics Officer of the United Nations. The Ethics Officer:

(a) Formulates, reviews and disseminates policies and providing guidance on ethical issues in accordance with the common standards of conduct prescribed for all United Nations staff members;

(b) Provides guidance to management to ensure that UNOPS policies, procedures and practices reinforce and promote the ethical standards called for under the United Nations Charter;

(c) Raises UNOPS staff awareness about expected ethical standards and behaviour in support of organizational oversight and human resources

development policies, strategies and programmes; this includes ensuring that UNOPS staff are aware of whistleblowing policies and the existence of the fraud-reporting mechanisms;

(d) Provides staff with confidential advice on ethical behaviour and standards;

(e) Receives and reviews, in accordance with the UNOPS protection policy against retaliation, complaints of retaliation and referring cases to the relevant units of UNOPS for further investigation where necessary; and

(f) Bears responsibility for the strategic development and implementation of the financial disclosure programme now in place (see annex 15, on the Executive Board web page).

The Executive Board

32. The functions of the Executive Board, as delineated in resolution 48/162, are:

(a) To implement the policies formulated by the General Assembly and the coordination and guidance received from the Economic and Social Council;

(b) To receive information from and give guidance to the Executive Director of UNOPS on the work of the organization;

(c) To ensure that the activities and operational strategies of UNOPS are consistent with the overall policy guidance set forth by the General Assembly and the Economic and Social Council, in accordance with their respective responsibilities as set out in the Charter of the United Nations; and

(d) To approve administrative and financial plans and budgets;

United Nations Board of Auditors

33. The oversight roles and responsibilities of the United Nations Board of Auditors are set forth in General Assembly resolution 74 (1) of 7 December 1946 and in the rules and procedures adopted by the Board of Auditors at its 49th regular session on 30 June-1 July 2005, amended at its 35th special session on 7 December 2005. The mandate of the United Nations Board of Auditors is further defined in Article VII and annex of the regulations and rules of the United Nations that apply mutatis mutandis to UNOPS, as set forth in UNOPS financial regulations and rules.

Joint Inspection Unit

34. The oversight roles and responsibilities of the Joint Inspection Unit are set forth in General Assembly resolutions 2150 (XXI) of 4 November 1966 and 2360 (XXII) of 19 December 1967, extended thereafter under General Assembly resolutions 2735 (XXV) A of 17 December 1970 and 2924 (XXVII) B of 24 November 1972.

35. By its resolution 31/192 of 22 December 1976, the General Assembly decided to establish the Joint Inspection Unit as a standing subsidiary organ and approved the statute of the Unit, with effect from 1 January 1978. In its resolution 60/258, the General Assembly reaffirmed the role of the Unit as the only independent, external oversight body of the United Nations system mandated to conduct system-wide evaluations, inspections and investigations.

E. Attributes of effective oversight

36. The foundation for effective oversight is the commitment of UNOPS staff at all levels to the effectiveness of the accountability framework. That implies a commitment to the orderly, ethical, economical, efficient and effective conduct inherent in the UNOPS management philosophy, operating style and organizational

culture, as defined by the Executive Board and the UNOPS Executive Director.

Risk assessment and management

37. Management is responsible for continuously monitoring and reviewing changes in the business environment; progress and constraints in achieving results; financial management and reporting; audit findings; and findings from major reviews and evaluations. This analysis should be summarized into a risk assessment, which will be consistently updated to include new information on the likelihood of risks materializing.

Continuous improvement and lessons learned

38. Oversight processes help to identify ways to make business processes more efficient and effective by improving performance, including in the context of coherence within the United Nations system, in accordance with General Assembly resolution 59/250.

Responsibility and accountability for results

39. All UNOPS personnel are accountable for achieving defined results within their respective areas of work. When UNOPS is entrusted by other entities to implement activities on their behalf, UNOPS assumes responsibility for those activities and for achieving expected results by signing a contractual agreement. Programme managers entering into such contracts are responsible for complying with the terms of their agreements and for providing adequate assurances that all contracts are implemented in an effective manner.

Single audit principle

40. As set forth in the report of the Secretary-General dated 10 November 1993 (A/48/587), the United Nations Board of Auditors is the only entity responsible for auditing UNOPS. The United Nations Board of Auditors retains the exclusive right to carry out an external audit of the accounts and financial statements of UNOPS. If special reviews are required, the Executive Board, through UNOPS, should request the external auditors to carry out specific examinations and issue separate reports on the results. The cost of such a special review will be borne by the requesting authority.

Financial disclosure

41. In accordance with General Assembly resolution 60/238 of 15 February 2006 on human resources management, and with the UNOPS staff regulations 1.2 (m) and 1.2 (n) and UNOPS organizational directive 23, UNOPS staff members meeting the criteria for disclosure have an obligation to file the proper financial declaration annually and, if applicable, to file the financial disclosure statement.

Transparency

42. The transparency and independence of the UNOPS Internal Audit Office and the Strategic Audit Advisory Committee are enhanced by their ability to communicate directly with the UNOPS Executive Director. The Executive Director may request that the Head of the UNOPS Internal Audit Office occasionally have access to the Executive Board, the Strategy and Audit Advisory Committee, the United Nations Board of Auditors and any other entity having any oversight or governing function in relation with UNOPS.

43. The Director of the Internal Audit Office presents an annual report on internal audit activities transmitted through the Executive Director to the Executive Board.

Management is responsible for ensuring that management responses are prepared for each specific internal and external audit recommendation. Management follows up on the status of the implementation on a regular basis. In addition, management systematically reviews and addresses systemic issues that arise from audit findings using a risk-based approach.

44. Management provides a management response to the annual internal audit report presented to the Executive Board. The management response includes an update on the implementation of internal audit recommendations. The Executive Director may report on the progress made against the objectives in the balanced scorecard, in conjunction with the UNOPS strategic plan, and may address any important issues in this context.

45. In accordance with the recommendation of the United Nations System Chief Executives Board for Coordination, internal audit reports may be made available to a Member State upon submission of a written request to the Executive Director of UNOPS. If confidential information is included in the report, the Executive Director shall remove it and replace it with the notation "Confidential information removed in accordance with the accountability framework of UNOPS approved by the Executive Board."

46. Notwithstanding the above dispositions, in exceptional circumstances the Head of the Internal Audit Office may bring reports to the attention of the Executive Board, taking into account the standards and code of ethics contained in the Professional Practices Framework of the Institute of Internal Auditors.

Resources required for effective organizational accountability

47. The annual report on internal audit activities presented by the Head of the Internal Audit Office to the Executive Board will include a section on resources available and required for the implementation of the present accountability framework. The framework is not intended to conflict with the objectives of the various UNOPS standard operating procedures, organizational directives, guidance notes, financial regulations and rules, committee mandates, strategy documents, or other corporate objectives, many of which are referenced in the present accountability framework. UNOPS management and staff are encouraged to report any such conflicts to the Director of Finance, the Deputy Executive Director, or the Ethics Officer, preferably in writing, so that the conflict can be addressed and relevant actions taken to remedy the situation.

F. Approval of the policy

48. The present policy takes effect on the day on which it is approved by the Executive Board, with no retroactive effect.